

TEACHERS' RETIREMENT BOARD

INVESTMENT COMMITTEE

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SUBJECT: Approval of Minutes of the November 4, 1998  
Investment Committee, Open Session

ITEM NUMBER: 3

ATTACHMENT(S): 1

ACTION: X

DATE OF MEETING: January 13, 1999

INFORMATION: \_\_\_\_\_

PRESENTER(S): Chairperson

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Proposed minutes of the Investment Committee Meeting held in open session November 4, 1998 are submitted on the following pages.

**PROPOSED  
MINUTES OF THE  
INVESTMENT COMMITTEE MEETING  
OF THE  
STATE TEACHERS' RETIREMENT SYSTEM  
NOVEMBER 4, 1998  
OPEN SESSION  
ROBYN D. MILLER BOARD ROOM  
7667 FOLSOM BOULEVARD  
SACRAMENTO, CALIFORNIA**

**COMMITTEE MEMBERS PRESENT**

Gary Lynes, Chairperson  
Yvonne Gallegos Bodle  
George Fenimore  
Marty Mathiesen  
Michael Mayer  
Lillian Raffel  
Todd Thakar  
Emma Zink  
Fred Buenrostro, representing State Controller  
Kathleen Connell  
Richard Whitmore, representing Superintendent  
of Public Instruction, Delaine Eastin  
Christine Drevalas, representing State Treasurer Matthew Fong  
Robin Dezember, representing State Director  
of Finance, Craig Brown

**ALSO PRESENT**

James Mosman, Chief Executive Officer  
Patrick Mitchell, Chief Investment Officer  
Elleen Okada, Director of Investment Admin. and External Relations  
Chris Waddell, Chief Counsel  
Doug Wills, Staff Counsel  
Mitch Pleis, Director of Real Estate  
Michelle Cunningham, Director of Fixed Income  
Real Desrochers, Director of Alternative Investments  
John Petzold, Investment Officer  
Richard Rose, Investment Officer  
Paul Shantic, Investment Officer  
Allan Emkin, Pension Consulting Alliance  
Al Clerc, Pathway Capital Management  
Robert Prince, Bridgewater Group  
Mary Toman, Citigroup  
Michael Bernal, Bank of America  
Mary Ann Avansino, Executive Assistant

A quorum being present, Chairperson Lynes called the open session meeting to order at 9:35 a.m.

- I. **ANNOUNCEMENTS** (Item 2)  
Chairperson Lynes introduced Todd Thakar, a new board member.
- II. **APPROVAL OF MINUTES OF THE OCTOBER 7, 1998 INVESTMENT COMMITTEE, OPEN SESSION** (Item 3)  
  
MOTION duly made by Mr. Fenimore,, seconded by Mr. Mayer, and carried to approve the minutes of the October 7, 1998 Investment Committee, Open Session as presented.
- III. **FIXED INCOME - HOME LOAN PROGRAM POLICY** (Item 4)  
Ms. Cunningham and Mr. Shantic discussed the updated Home Loan Program Policy Manual.  
  
Ms. Bodle arrived at the meeting at 9:50 a.m.  
  
MOTION duly made by Mr. Fenimore, seconded by Ms. Zink and carried to approve a resolution to adopt the updated Home Loan Program Policy.
- IV. **FIXED INCOME - PANEL ON CURRENCY** (Item 10)  
Mr. Mitchell introduced Ms. Toman, Messrs. Prince and Bernal. The panel discussed factors affecting the currency market, benchmarks, risk, and the impact of the Euro. The panelists engaged in a group discussion with the Committee.  
  
Chairperson Lynes recessed the meeting at 11:15 a.m.  
The meeting reconvened at 11:25 p.m.
- V. **EQUITY – EMERGING MARKET EQUITY** (Item 5)  
Messrs. Emkin and Mitchell reviewed and discussed the research prepared by Pension Consulting Alliance.  
  
MOTION duly made by Mr. Mathiesen and seconded by Mr. Fenimore to adopt a resolution to 1) adopt the MSCI All Country free ex-U.S. Index (ACxUS) as the strategic benchmark for non-U.S. equity, 2) reaffirm a strategic asset allocation target of 25% non-U.S. equity in ACxUS weights with a range of 22% to 28%, 3) reaffirm a 50 %active management and 50% passive management strategy for all non-U.S. equity with European, Pacific Basin, and Emerging Market components. Mr. Thakar and Mr. Buenrostro abstained. The motion carried.
- VI. **GENERAL – RFP FOR GENERAL CONSULTANT** (Item 6)  
Mr. Mitchell presented revised specifications for a RFP for General Consultant  
  
MOTION duly made by Mr. Fenimore, seconded by Mr. Mayer and carried to adopt a resolution to authorize Staff to release a request for proposal for general consultant, with the intent to hire up to three (3) general consultants, compose the initial review panel with two Staff and two Investment Committee members, and complete finalist interviews and selection.
- VII. **ADM AMICUS CURIAE BRIEF IN U. S. SUPREME COURT** (Item 7)  
Mr. Waddell presented the written item.

MOTION duly made by Ms. Raffel, seconded by Mr. Fenimore and carried to adopt a resolution to approve participation of the System in the proposed amicus brief providing that the Chief Counsel has reviewed and approved such brief prior to its filing.

Chairperson Lynes recessed the meeting at 12:25 p.m.

The meeting reconvened at 1:15 p.m. Mr. Dezember was not present when the meeting reconvened.

- V. **LEGISLATION** (Item 8)  
There was nothing to report.
- VI. **GENERAL – UPDATE OPN 1998/99 INVESTMENT OBJECTIVES** (Item 9)  
Mr. Mitchell reviewed the progress report on the 1998/99 Investment Objectives.
- VII. **INVESTMENT OPERATIONS – UPDATE ON PEER UNIVERSE COMPARISON** (Item 11)  
Ms. Okada and Mr. Petzold discussed peer universe comparison information provided by TUCS as well as a new product, which will be offered by State Street Bank and Trust Company.
- VIII. **CREDIT ENHANCEMENT - ACTIVITY STATUS REPORT** (Item 12)  
Mr. Rose presented the written report and explained “bank wraps”.  
  
Mr. Dezember returned to the meeting at 1:30 p.m.
- IX. **REAL ESTATE - ACTIVITY STATUS REPORT** (Item 13)  
Mr. Pleis presented the written report.
- X. **ALTERNATIVE INVESTMENTS - ACTIVITY STATUS REPORT** (Item 14)  
Mr. Desrochers presented the written report.
- XI. **REPORT OF THE CHIEF INVESTMENT OFFICER** (Item 15)  
Mr. Mitchell presented the written report.
- XII. **OPPORTUNITY FOR STATEMENTS FROM THE PUBLIC** (Item 16)  
There were no statements from the public.
- XIII. **MOVE TO CLOSED SESSION**  
Chairperson Lynes moved the meeting directly to closed session at 2:05 p.m.
- XIV. **ADJOURNMENT**  
Chairperson Lynes announced that while in closed session, the Committee discussed matters pertaining to and investment decisions. There being no further business to conduct, Chairperson Lynes adjourned the meeting at 2:30 p.m.

James D. Mosman, Chief Executive Officer and Secretary to the  
Teachers' Retirement Board

Gary Lynes, Chairperson